

ECONOMIC DEVELOPMENT COMMITTEE

DATE: January 24, 2007

CALLED TO ORDER: 5:01 p.m.

ADJOURNED: 7:13 p.m.

ATTENDANCE

ATTENDING MEMBERS

Jackie Nytes, Chair
Virginia Cain
Lonnell Conley
Joanne Sanders
Patrice Abdullah
Marilyn Pfisterer

ABSENT MEMBERS

Isaac Randolph

AGENDA

PROPOSAL NO. 17, 2007 - reappoints Eric D. Jones to the Urban Enterprise Association Board of Directors
"Postpone" Vote: 6-0

PROPOSAL NO. 18, 2007 - reappoints Carl Drummer to the Ft. Benjamin Harrison Reuse Authority.
"Do Pass" Vote: 6-0

PROPOSAL NO. 51, 2007 –a final resolution for Kite Realty Group in an amount not to exceed \$6,500,000 for the acquisition, construction, rehabilitation and renovation of the current Glendale Shopping Center, located near the southeast corner of Keystone Avenue and 62nd Street (District 3).
"Do Pass" Vote: 6-0

PROPOSAL NO. 621, 2006 - approves an appropriation of \$330,620 in the 2007 Budget of the Department of Metropolitan Development (Consolidated County, Transportation General and Federal Grants Funds) to fund start up and operational costs associated with the Regional Transportation Authority, which is a joint effort to coordinate regional transportation planning, funded by a federal transportation planning grant, motor vehicle highway funds, and contributions from the local government members of the nine-county Metropolitan Planning Organization
"Do Pass as amended" Vote: 6-0

Presentations:

Jeb A. Conrad, Executive Director, Indianapolis Economic Development, The Indy Partnership

Jim Garrard, Director of Economic Development

ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee of the City-County Council met on Wednesday, January 24, 2007. Chair Jackie Nytes called the meeting to order at 5:01 p.m. with the following members present: Patrice Abdullah, Virginia Cain, Lonnell Conley, Marilyn Pfisterer, and Joanne Sanders. Isaac Randolph was absent.

PROPOSAL NO. 17, 2007 - reappoints Eric D. Jones to the Urban Enterprise Association Board of Directors.

Chair Nytes asked if Mr. Jones was present. He was not. Chair Nytes stated that the committee would discuss Proposal 18, 2007 and would come back to Proposal 17, 2007 when Mr. Jones arrived.

PROPOSAL NO. 18, 2007 - reappoints Carl Drummer to the Ft. Benjamin Harrison Reuse Authority.

Chair Nytes introduced Mr. Drummer and asked him to update the committee on the Fort Benjamin Reuse Authority. Mr. Drummer thanked the committee for his reappointment and said that he had been elected President of the Authority this year. Mr. Drummer stated that the Authority has made great strides towards building a village center and a PX Commissary for use by both citizens and the military. Mr. Drummer distributed a newsletter regarding the new commissary to the committee (Exhibit A). He said that this commissary is the only one of its kind in the State.

Councillor Cain asked if there were any plans in the works for a library branch. Mr. Drummer stated that there had not been any talks since his appointment. Before he was appointed there had been talks with the City of Lawrence to put a branch in the city center but it had been put on hold, although all would like to see that happen. He said that recently, talks have begun with National City Bank, YMCA, and other entities about expanding into that city center.

Councillor Abdullah thanked Mr. Drummer for serving and asked what expectations the Authority has for the area. Mr. Drummer stated that the main focus is the village center. The PX commissary was a monumental task and took a lot of time and effort to make it happen. U.S. Representatives Burton and Carson, as well as U.S. Senators Bayh and Lugar were instrumental in making this happen. General Brooks at Fort Harrison also helped guide the authority through the process. The authority is hoping for the same momentum for building the village center.

Councillor Conley stated that he likes to compliment the people who serve on boards. He added that the work the Authority is doing sounds fantastic. He congratulated Mr. Drummer on his election to President.

Chair Nytes asked if housing has been added in addition to the commercial redevelopment. Mr. Drummer stated that most of the housing was redeveloped from existing housing, but the Authority is mostly involved in commercial redevelopment. There are agreements that have to be met, but that is the extent of the authority's involvement. Chair Nytes asked if the redeveloped housing and commercial properties were on the property tax rolls. Mr. Drummer answered in the affirmative and added that the properties add to the challenges. The Authority needs to juggle bringing in non-taxable places like the YMCA and the library with taxable

commercial properties. Chair Nytes stated that there have been difficulties trying to get bus service to the City of Lawrence and asked if Mr. Drummer would advocate the bus system in his position with the Authority. Mr. Drummer stated that has talked to IndyGo Commissioner Holmes and the City of Lawrence Council President about this issue. He offered to arrange a site visit to the PX commissary for the Committee. Chair Nytes stated that many of the Councillors would probably like to go on a visit since they had toured at the beginning of the Authority's work.

Councillor Sanders stated that the Regional Transportation Authority (RTA) has been discussing extending IndyGo bus service to Lawrence and has been making contacts and offered to include Mr. Drummer in those discussions.

Councillor Sanders moved, seconded by Councillors Conley and Abdullah, to send Proposal No. 18, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

PROPOSAL NO. 51, 2007 –a final resolution for Kite Realty Group in an amount not to exceed \$6,500,000 for the acquisition, construction, rehabilitation and renovation of the current Glendale Shopping Center, located near the southeast corner of Keystone Avenue and 62nd Street (District 3).

Chair Nytes stated that the Committee received their handouts from Rod Morgan, Bond Counsel, Economic Development Commission (Exhibit B). [Clerk's Note: Exhibit B is on file in the Council Office with the original minutes of this meeting.]

Mr. Morgan stated that the documents talk about the relationships, the Glendale anchor project agreement, and the promises and expectations. It should be noted that there is a strong commitment to minority and women owned businesses (MBE/WBE) in this project. He added that this transaction had been heard at the January 17, 2007, Indianapolis Economic Development Commission (IDEC) meeting. There was a public hearing, although no members of the public attended. The presentation was conducted by Tom McGowen, Executive Vice President and COO of Kite Realty Group and Barbara Lawrence, Executive Director of the Indianapolis Bond Bank. Following many questions from the Commission, it was passed unanimously.

Mr. McGowen stated here that Glendale Mall (mall) was built in 1958 and was the first, large scale, suburban, retail center in Indianapolis at the time. Following the trends of the time, the mall was enclosed in 1968. This is the explanation for the large spread in the center of the mall; it used to be separate retail establishments. The mall was popular through the 1960's, 1970's and 1980's, but as retail pushed out to the perimeter of Indianapolis, the site quickly became an insular location in town. The mall suffered tremendously throughout the 1990's. The mall was owned by a Chicago, IL group and they discussed closing the mall altogether. In 1999, Kite Realty acquired the property. It was thought that if there was a large renovation, the mall could be viable again, given it's location on the Keystone Corridor. In 2000, the \$40 million renovation was completed and it included Lowe's Home Improvement, Kerasotes Theaters, and a three-story redevelopment on the Lazarus location. The renovation was very popular, but in 2002 things turned when The Limited closed all four concept stores in the mall. These were the base of the mall tenants. Coupled with that loss there were several national bankruptcies that closed mall establishments, such as Houlihans and Casual Corner. The interior retail portion of the

mall is relatively small in comparison to other malls. Because other stores left, the remaining stores began losing money and they left also. Currently, the tenancy is so light, that Kite is buying out the remaining tenants. This will allow Kite to close the enclosed portion of the mall by February, 2007. On page four of the handout (Exhibit B) is a map illustrating the enclosed portion of the mall. The L.S. Ayres store that is currently shown has since become a Macy's store. The sales for that store increased last year. Page five of the handout illustrates the vacancies in the mall.

Mr. McGowen stated that page six of the handout illustrates the redevelopment plan. The local media has covered this issue extensively since 1999. Much of the speculation has revolved around the proposed Target. Although it won't be approved until March, there have been extensive talks about opening a store at this location. Target used to have a store at 52nd Street, but closed it. The community would like that store to reopen in the area and Kite is happy to help bring them back. The Macy's store will stay. The proposed Target is a 130,000 square foot structure that will enclose the existing three story building. The proposed Target will be built around the three story building, which will enable the mall to keep the library open during construction. Oasis, a not-for-profit senior citizen group that is funded by Clarian, will be relocated by Kite, from the basement to the third level near the library. The Target entry will be on the northwest side of the building. The primary entrance to the library will remain the same as it is now. Staples will remain where it is. The existing Macys store will be lined with smaller stores on the north side. Two additional out lots will be developed along Keystone and 62nd Streets. The retail out lots on the out lots that already exist are doing very well, while the interior retail has suffered. Kite believes that these changes will bring the shopping area back to its previous retail levels. It would be easier to let the mall close, but Kite believes in the 62nd and Keystone business corridor.

Councillor Sanders asked if the entrance to the library would be on the lower level, where it is currently located. Mr. McGowen answered in the affirmative. Councillor Sanders asked if that would be the only entrance. Mr. McGowen said that they have been working with the library to come to an acceptable entrance point. Councillor Sanders asked if there would still be an escalator at the entrance. Mr. McGowen stated that there will not be an escalator, because it would impede on Target's footprint. An elevator will be installed for the library entrance. Councillor Sanders asked if the loft will be removed. Mr. McGowen stated that the loft will remain, but there will be walls and vision glass to let in natural light.

Mr. McGowen stated that page seven illustrates an artist's rendering of how the Target and library entries will look. Target worked with Kite for over a year to make this work. He said that it's commendable that Target was willing to work with Kite in a situation that was not normal for them. Kite views this as a major reinvestment in 62nd and Keystone. The drawing on page eight illustrates the configuration of the smaller shops outside of Macys. Macy's actually suggested adding these shops, because they believed that it would bring more people to the location.

Mr. McGowen stated that page nine illustrates the estimates for the project costs. The expense allocated for site work is extremely high because of the work that needs to be done to keep the basement. The basement needs to stay in place because all of the service components are located there and are still being used. From a construction standpoint, this project will employ approximately 340 construction workers during the course of the redevelopment. Target said

they will add 150-200 new jobs to the area. Additionally, the relocating of the interior shops and opening new ones will keep jobs in the area, as opposed to closing the mall entirely.

Barbara Lawrence stated that the City is committed to the Glendale area. In the 1990's, the city established a Tax Increment Financing (TIF) district in Glendale which will be used for this financing. This is financing contingent upon the completion of the project and Kite entering into and finalizing an agreement with the proposed Target. If that doesn't happen, the financing will not happen. Page twelve of the handout (Exhibit B) illustrates the TIF district. Currently, the TIF district generates about \$500,000 annually. About \$1.4 million dollars have accumulated for this district and there are no current bonds outstanding against that amount. As with other TIF districts, this one has some challenges. Assessed Valuation will be a challenge and it's a single payer district.

Councillor Sanders asked if the parcels to the east include the houses. Ms. Lawrence stated that the only parcel east of Rural that is in the TIF district is a parking lot.

Ms. Lawrence stated that they are seeking approval for financing of \$6.5 million. The financing will likely be a private note or bond issue for a term of up to 20 years that will be repaid with TIF revenues. For the purpose of this financing, we have estimated the assessed or increment value to be about \$24 million. The revenues will be used for the site work for the proposed Target. The project was considered by IDEC and received unanimous approval. The Bond Bank used IDEC because that process allows flexibility with the use of the proceeds. This is structured similarly to the Simon and Conrad transactions. The project and financing schedule is illustrated on page fourteen of the handout. The negotiations for the project agreement and the project labor agreement have already begun. The project is set for MBE/WBE participation that is consistent with the city ordinance.

Councillor Pfisterer stated that this is an important project and asked if closing the interior stores would reduce the overall revenue. Mr. McGowen stated that only 5 or 6 will be removed, but stores that are doing well, such as Lenscrafters, will relocate to out lot stores. Those interior stores that want to stay will also be relocated to other exterior locations. Councillor Pfisterer asked if this is just a shift in the retail locations. Mr. McGowen answered in the affirmative. Councillor Pfisterer asked if fewer retail locations would lower the viability of the TIF increment. Ms. Lawrence stated that the Bond Bank has looked at as many scenarios as possible and has used very conservative numbers. The Bond Bank believes that ending the obsolescence of the mall and adding additional space will generate more revenue. Mr. McGowen stated that it is because of those reasons that Kite did not shut down the mall or lose the three story building housing the library. Councillor Pfisterer asked if the city still be obligated to this deal if the Target agreement does not happen. Ms. Lawrence answered in the negative. Mr. McGowen stated that Kite would not ask the city to remain obligated if that were to happen. Councillor Pfisterer asked if the current bonds have been paid. Ms. Lawrence stated that no bonds have been reissued and there is no outstanding debt.

Councillor Cain thanked Kite for their commitment to this area and asked what would be the projected finish date. Mr. McGowen stated that they hoped to start in March and end in a year. He added that the stores would stay open during construction. Councillor Cain asked if there would be a library entrance inside Target. Mr. McGowen stated that although it would be neat to have that entrance, it would be a security and management problem for both entities.

Additionally, Target has made so many adjustments to make this project work for everyone, it was too much to ask for a library entrance also.

Councillor Conley stated that the project sounds fantastic and asked what will happen to the mom and pop stores such as the shoe repair place. Mr. McGowen stated that they will leave, but they all have the opportunity to relocate to the perimeter shops, but the shoe repair owners have not decided whether or not to relocate.

Councillor Nytes wanted to encourage the Metropolitan Development staff to talk to the small shops that don't want to relocate to the mall, to encourage them to move into the neighborhood retail areas. Mr. McGowen stated that they would make sure that occurs. Councillor Nytes stated that they should consider this to be an outplacement function. Mr. McGowen stated that moving Oasis tied into that idea. Oasis wanted to stay and Kite wanted to make sure that happened. He added that IUPUI's satellite facility chose not to stay because they could not get a space large enough. Kite wants this remain a community spot.

Councillor Sanders asked if they were working with retail lessees to secure new sites. Mr. McGowen stated they have talked to all of them. Those who choose not to stay will use other sources, but Kite will help anyone who asks. Councillor Sanders asked if the parcels will be treated individually or as one big entity. Ms. Lawrence stated that it would be considered one entity. Councillor Sanders asked if Oasis would be closed during construction. Mr. McGowen stated that they are working furiously to help them move from one location to the other without any loss of time.

Councillor Abdullah asked if there was a contingency plan if no agreement is reached with Target or if they close the store. Mr. McGowen stated that from a credit standpoint, there is no better retailer than Target. Target conducts extensive research of an area before they enter into negotiations. However, the configuration for this proposed Target would be a more conducive configuration for any retailer than the current one.

Councillor Nytes asked if the stores would remain open during construction. Mr. McGowen answered in the affirmative. Councillor Nytes asked if Kite would be responsible for managing traffic flow and other issues with construction. Mr. McGowen answered in the affirmative and added that they have several stages pre-planned, some of which change daily to ease the traffic burden. Councillor Nytes stated that there are several styles of Target stores and asked what would be the style for this Target. Mr. McGowen stated that this one will not be the traditional red brick Target, but a progressive looking Target. The artist rendering on page seven of the handout (Exhibit B) illustrates this. It will complement the area, have metal clad, fun-looking entry points and look unique for Target stores. Councillor Nytes asked if this would be a Super Target. Mr. McGowen answered in the negative and added that the Super Targets have a much larger foot print. Councillor Nytes stated that the larger super stores aren't in many of the Council districts because the lot size is hard to find. Mr. McGowen agreed and added that the Glendale location was considered by Target precisely because of that reason. Councillor Nytes stated that the library was concerned about losing their freight elevator and asked if that was worked out during negotiations. Mr. McGowen answered in the affirmative and added that a freight elevator would be added to the perimeter and it would be much faster than the existing elevator. Councillor Nytes stated that the library was concerned about losing amenities, such as the loft, and asked if that had been worked out in negotiations. Mr. McGowen stated that Kite

worked with the library and found solutions, such as reduced rent for three years and cancelling the expenses owed by the library.

Councillor Sanders asked what establishments would move into the unnamed out lot locations. Mr. McGowen stated that he cannot name anyone yet, but hopefully it will be a popular breakfast spot. He added that the other location may be a bank or similar type of business.

Councillor Abdullah asked how the constituents felt about this project. Mr. McGowen stated the neighborhood wanted this very badly. Kite has received a lot of unsolicited input for quite awhile asking for improvements at Glendale to help the entire Keystone Corridor.

Councillor Nytes stated that Kite has been very responsive to the many concerns about this project. She thanked Kite for their decision to work with the library and Oasis and added that it was the right thing to do. She also wanted to commend the Bond Bank on their efforts for this deal. She added that the City often gets criticized for their economic development deals, but that this case illustrates why it is right for the City to be involved in these issues. This deal has been negotiated in the interest of the citizens.

Councillor Conley moved, seconded by Councillor Sanders, to send Proposal No. 51, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

PROPOSAL NO. 621, 2006 - approves an appropriation of \$330,620 in the 2007 Budget of the Department of Metropolitan Development (Consolidated County, Transportation General and Federal Grants Funds) to fund start up and operational costs associated with the Regional Transportation Authority, which is a joint effort to coordinate regional transportation planning, funded by a federal transportation planning grant, motor vehicle highway funds, and contributions from the local government members of the nine-county Metropolitan Planning Organization

Galen Himmelheber, CFO, Department of Metropolitan Development (DMD) and Mike Deering, Manager, Indianapolis Metropolitan Planning Organization (IMPO) distributed a handout (Exhibit C) to the committee members.

Mr. Deering stated that the Central Indiana Regional Transportation Authority (RTA) was created in 2004 by the City County Council of Indianapolis per Indiana Code 36-9-3. The RTA is charged with demonstrating the importance of transit in Central Indiana, in cooperation with IndyGo and IMPO. The IMPO has been researching the importance of high tech solutions for transit in the northeast corridor. RTA is set up to have a sixteen member board. Fifteen seats have been filled thus far; the remaining seat will be filled by someone representing the four largest entities outside of Marion County. There have been monthly meetings for the last year. At these meetings, a budget has been passed although there is currently no other funding outside of the IMPO. The RTA has been searching for an executive director and administrative assistant.

Chair Nytes stated that alignment is a term that has been used a lot and asked for its definition. Mr. Deering stated that the northeast corridor was picked as the first area for rapid transit. The corridor exists from downtown Indianapolis at IUPUI to south side of downtown through northeast Marion County to Fishers and beyond. The alignments that were identified for configuration of a rapid transit system are Keystone, Binford, and fair train corridors. These are the alignments on which the technology could take place.

Chair Nytes stated that this is an appropriation of funds to carry out this scenario. Mr. Himmelheber stated that the budget provides for the two positions, executive director and assistant in character 1. The Character two amount is for office equipment including computer supplies. Most of the expenditures in Character three are administrative costs, including professional and consulting services. Those services will cover costs for outside attorneys and other needs that cannot be done by the board. It also includes expenses for travel and conferences for the executive director to do site visits. The Character four amount will pay for office furniture and a vehicle for the executive director. The Character five amount is for costs associated with vehicle maintenance and fuel. The total budget is the amount asked for in the proposal. The board asked the city to identify any existing costs in the budget. Those existing costs include information technology costs and rent. The budget is funded by federal grants and contributions from the nine participating counties: Marion, Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Morgan, and Shelby.

Councillor Sanders moved, seconded by Councillor Conley, to amend Proposal No. 621, 2006.

Mr. Himmelheber stated that the intention of the amendment to fund the City's contribution out of the transportation general fund. When the proposal was submitted it did not reflect that. This amendment places the funding under the transportation general fund. There is no change to the budget overall.

The motion carried by a vote of 6-0.

Chair Nytes asked for any public testimony. None was offered.

Councillor Pfisterer asked if the federal funding was guaranteed to continue. Mr. Deering stated that the federal funds would be there until the federal government chose not to fund it anymore. Councillor Pfisterer asked if the City would be responsible for expenses associated with the RTA plans and salaries if the federal funds were discontinued or diminished. Mr. Deering stated that funds have already been committed to the salaries, but that the executive director is charged with finding other sources of funding. Councillor Pfisterer asked what would happen if the worst scenario occurred and no other funding was found. Mr. Deering stated that the RTA would fold. Councillor Pfisterer asked if the RTA would permanently be a part of the IMPO. Mr. Deering stated that RTA would only be a part of the IMPO, until it could exist on its own. Hopefully, this will happen within two years.

Jeff Seidenstein, Office of Finance and Management, said that the Marion County share of this cost is coming from gasoline taxes, not property taxes. Mr. Deering stated that the RTA has received funding from Madison County. Chair Nytes stated that this is an excellent example of regionalism.

Councillor Sanders stated that she is a member of the RTA and wanted to reassure Councillor Pfisterer that the RTA has been diligent in establishing its governance and recognizing the pitfalls for the past two years. This has been a regional commitment, not only a Marion County burden. Based on the comments the RTA has received, it seems that this project can't move fast enough.

Councillor Sanders moved, seconded by Councillor Conley, to send Proposal No. 621, 2006 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 6-0.

PROPOSAL NO. 17, 2007 - reappoints Eric D. Jones to the Urban Enterprise Association Board of Directors.

[Committee Chair's Note: Proposal No. 621, 2006 will need to be readvertised.]

Chair Nytes stated that Mr. Jones was not in attendance.

Councillor Sanders moved, seconded by Councillors Conley and Abdullah, to postpone Proposal No. 17, 2007 until February 7, 2007. The motion carried by a vote of 6-0.

There being no further business, and upon motion duly made, the meeting was adjourned at 7:13 p.m.

Respectfully Submitted,

Jackie Nytes, Chair

JN/cc